

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 4493

INFO AMEMBASSY PORT AU PRINCE

C O N F I D E N T I A L SANTO DOMINGO 3558

E.O. 11652: GDS

TAGS: BGEN, EFIN, DR

SUBJECT: PRESIDENT GIVES UPBEAT SPEECH ON ECONOMY

REFS: (A) SD 2740

(B) SD 0948

(C) SD 0940

1. IN A SHORT, PUNCHY, TELEVISED SPEECH AUGUST 12, PRESIDENT BALAGUER

EMPHASIZED SOME OF THE MORE POSITIVE ASPECTS OF THE CURRENT ECONOMIC OUTLOOK, SUCH AS (1) SUBSTANTIAL TRADE SURPLUS IN FIRST HALF OF YEAR, (2) GROSS FOREIGN EXCHANGE RESERVES OF \$172 MILLION AND NET RESERVES OF

\$145 MILLION, (3) COMFORTABLE SURPLUS IN THE BUDGET OF THE CENTRAL GOVERNMENT, AND (4) LOW EXTERNAL PUBLIC DEBT.

2. BALAGUER SAID THERE WOULD BE NO NEW TAXES EXCEPT IN CASE OF UNUSUAL CIRCUMSTANCES SUCH AS UNEXPECTED WINDFALL EARNINGS IN EXPORTS; AND THERE WOULD BE NO CHANGE IN THE INDUSTRIAL INCENTIVES LAW (LONG URGED BY THE IBRD). THE PRESIDENT SAID THERE WOULD BE NEW MEASURES, UNSPECIFIED, FURTHER TO REDUCE CONSUMPTION OF PETROLEUM,

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PARTICULARLY GASOLINE. HE ALSO ANNOUNCED THAT HE WOULD GIVE ADDED

EMPHASIS TO AGRICULTURAL PRODUCTION IN VIEW OF RECENT LOSSES
SUFFERED IN THE DROUGHT.

3. COMMENT: THE PRESIDENT'S SPEECH APPEARS TO BE AN EFFORT TO PUT
THE CURRENT ECONOMIC OUTLOOK IN BETTER PERSPECTIVE AFTER WEEKS OF
GLOOMY PRONOUNCEMENTS. IT MAY ALSO BE AN EFFORT TO DAMPEN SOME OF
THE IN-FIGHTING GOING ON AMONG HIS PRINCIPAL ECONOMIC ADVISERS.
THE OPTIMISTIC FIGURES ON THE TRADE ACCOUNT AND THE CURRENT FOREIGN
EXCHANGE HOLDINGS SHOULD BE VIEWED IN THIS LIGHT. THE SEASON-
ALITY OF THE B/P FIGURES ARE SUCH THAT THERE IS A LARGE INFLUX
OF FOREIGN EXCHANGE EARLY IN THE YEAR BECAUSE OF THE SUGAR HARVEST
AND LESS RESERVES AT THE END OF THE YEAR AS IMPORTS NOT ONLY CONTINUE
BUT ACCELERATE WITH MERCHANTS BUILDING UP INVENTORIES FOR THE YEAR-
END HOLIDAY SEASON. FURTHER BACKGROUND AND ASSESMENT TO FOLLOW.
HURWITCH

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